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ABSTRACT

This publication is based on two surveys of the same Anchorage, Alaska households taken in June and November 1987 to study the effects of a strong recession of the previous two years. Different kinds of households were queried about household incomes, housing status, members' occupations, moving plans, and expectations about the financial future. Results showed that close to 13% of the households had left Anchorage in the interim months. Those who left were more likely to be young renters, out of work, in the military or to have lived in Anchorage relatively few years. Nearly half of single-family homeowners had paid more than their homes were worth at the time of the survey and many condominium owners owed more than their properties were worth. Half the renters surveyed said they were considering buying homes in Anchorage. More than 65% of renters had moved into Anchorage within the previous 18 months. Only 7% of homeowners had plans to move within the city in the coming year. Longtime residents and people who came to Anchorage during the boom years of the early '80s were among those hardest hit by the recession. Many were affected by the real estate slide. New arrivals were the clear winners. Most came with jobs, housing was cheap, and they were optimistic about their financial futures. Anchorage residents generally became more optimistic about the economy between June and November. The document includes tables, charts, endnotes, and a list of other Institute of Social and Economic Research publications. (TES)

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ALASKA
REVIEW OF SOCIAL AND ECONOMIC CONDITIONS

University of Alaska Anchorage, Institute of Social and Economic Research | May 1988, Vol. XXV, No. 2

The Effects of Alaska's Economic Recession on Anchorage Households

Why Anchorage?

Over the past two years a strong recession has choked the Alaska economy. All Alaska communities have been hurt by it. But Anchorage and other communities in southcentral Alaska have seen the sharpest economic decline and the biggest population drain.

Those southcentral communities grew the fastest in the early 1980s, and they have come down the hardest. Anchorage is the state's major commercial center and is home to more than 40 percent of Alaskans. Anchorage's economic recovery will be an important measure of the state's overall recovery.

Because the Anchorage economy is such a big part of the state economy and it has been hit so hard by the recession, this publication looks specifically at the effects of the recession on Anchorage. By looking only at Anchorage, we're not implying that the recession has left other communities untouched.

This publication is based on two large telephone surveys of Anchorage households done in June and November 1987. Household surveys show us the human dimension of the recession: how different kinds of households have been affected by the recession, as described by the household residents themselves. We asked residents questions about their incomes, housing status, employment, occupations, moving plans, and expectations about their own financial futures.

The recession that started at the end of 1985 has been much harder on some Anchorage residents than on others. Some have lost--or are near losing--homes, jobs, businesses. Some have watched the value of their properties shrink but have reasonably steady incomes that help them hold on, waiting for better times. Some who lived here two years ago have left, looking for brighter prospects. And some--particularly those who arrived after the recession started--are seeing the bright spot on the dark landscape: lower rents and bargain prices for houses, with plenty of choices--and, in general, higher paying jobs than in the lower 48.

In this *Review,* we tell the story of a city in recession. Who has been most affected and who least? Who is leaving, and who is staying? Who has moved into Anchorage in the past couple of years? How much are people moving around within the city? How many households have been touched by unemployment? How much income have we lost? How many homeowners paid more than their properties will sell for today? Who feels most optimistic about the future and who least? On page 3 we highlight the survey findings that are discussed in detail in later pages.

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The Effects of Alaska's Economic Recession on Anchorage Households

This publication is based on telephone surveys of Anchorage households conducted by ISER in June and November 1987. The authors are ISER staff members Karen Foster, Linda Leask, and Teresa Hull.

Survey Methods

In June we developed a random telephone sample of 551 Anchorage households; a random sample is designed to capture the characteristics of the population at large.[1] In November we tried to call the same households again. By November we lost some of the households in our original sample, either because they left Anchorage, moved within the city and changed phone numbers, declined to answer the survey questions the second time, or couldn't be reached for the second survey.[2]

Despite the smaller sample size, the November survey still provides a good representation of the Anchorage population as a whole.[3] Combined, the two surveys give us information that a single survey or two independent surveys couldn't. For example, in June we asked how many households had plans to move within the next three months; in November we were able to trace how many had actually moved and what their characteristics were.

We hope to continue these surveys over time, to monitor change as Anchorage climbs out of the recession. If oil prices hold somewhere in the range of $16 to $20 a barrel, we expect the number of jobs to stop shrinking and the recession to end toward the latter part of this year.[4] But unfortunately not all the effects of the recession--particularly on the housing market--will disappear as soon as the economy turns around. We hope to document the course of the recovery.

Presentation of Findings

We collected a great deal of information in the two surveys; our biggest problem has been sorting through the results and deciding how to present them so they give the most interesting and useful picture of Anchorage households in 1987, without drowning readers in a sea of statistics. We finally settled on several summaries and comparisons that seem to us the most revealing. In looking at the survey results presented in the following pages, keep this in mind: each time we break the whole sample

(Continued on page 4)

Highlights of Findings

Migration: In and Out

- Close to 13 percent of our survey households left Anchorage between our June and November surveys. If we apply that percentage to all Anchorage households, it amounts to about 10,000 households. This is not a net loss of households, however, as people were still arriving in the city, although in smaller numbers than in past years.
- Those who left Anchorage between our two surveys were more likely to be younger, to be out of work, to have lower incomes, to be renters, to be in the military, and to have lived in Anchorage fewer years than those who stayed.
- Households that left the city were twice as likely to have one or more members unemployed as those who remained. About 20 percent of households that left had reported someone in the household was out of work in June, as compared with 11 percent among those who stayed.
- About 13 percent of households we surveyed in mid-1987 said that they had plans to leave Anchorage within a year. That was twice the percentage that had plans to leave the city in 1976, when pipeline construction was winding down.

Anchorage Housing Status

- About 80 percent of those who own single-family houses in Anchorage could probably cover their mortgage debt if they had to sell today. However, nearly half of single-family homeowners paid more than their homes are worth today.
- Nearly 70 percent of condominium owners--those who bought between 1982 and 1986--owe more than their properties are worth now.
- Half the renters we surveyed in 1987 said they were considering buying homes in Anchorage. Almost all of them said they would prefer to buy single-family houses.
- More than 65 percent of renters surveyed had moved in Anchorage within the past 18 months and 35 percent had moved within the past six months.
- Only 7 percent of homeowners we interviewed had plans to move within the city in the coming year, and only 11 percent had bought their houses in the previous 18 months.

Profile of Anchorage Households

- People who came to Anchorage during the boom years of the early 1980s are among those hardest hit by the recession. Many are in occupations that have been hurt by the real estate slide; one in four had 1986 household incomes below $20,000; more own mobile homes; they are also among the most likely to have bought houses and condominiums when prices were at their peak.
- Long-time residents--those who have been here longer than 8 years--are also being hit hard by the recession. Around 40 percent reported that they were worse off financially in 1987 than they had been in 1986, even though most still had their jobs and reasonably steady incomes.
- New arrivals to the city are the clear winners during the recession. Most came with jobs, they can buy or rent their homes at bargain prices, and they are overwhelmingly optimistic about their financial futures.
- Roughly 40 percent of households that had reported having at least one member out of work in June had found work by November. Another 20 percent of those households had left the city by November.

Expectations for the Future

- Anchorage residents as a whole became more optimistic about the economy between June and November: one in four felt more optimistic about their own financial outlooks in November than they had in June. And many Anchorage households think better times are coming: about 45 percent thought their own finances would improve during the coming year, in contrast to only 16 percent who thought their finances would worsen.

(Continued from page 2)

down into smaller groups--for instance, when we look specifically at the people who have arrived in Anchorage within the past three years--the numbers of households we are looking at are much smaller than in the entire sample. The smaller the numbers, the greater the possibility of error--the possibility that the sub-sample doesn't represent everybody in the city with some specific characteristic. We feel confident that the picture we're presenting is a good one--just keep in mind that if we had somehow been able to survey every household in Anchorage, the results might sometimes have been different. In general, here's how we've organized our findings:

1. **Moving: Who? Where? Why?** Anchorage has always been a city of movers; right now the difference is that more people are leaving than are coming in. This section looks at how many Anchorage households had plans to move in 1987 and where and why. We also profile those households that left the city between our two surveys.

2. **Housing Status.** The exodus from Anchorage and loss of jobs and incomes has pummeled the housing market, driving values down and forcing thousands of homeowners into foreclosure. In this section we look briefly at the elements that have depressed housing values, then report how many households rented and how many owned in 1987, how many renters were considering buying, and how long different kinds of households had lived at their current addresses. Finally, we look at how many Anchorage homeowners would be likely to receive as much as they paid for their houses and condominiums if they had to sell them at current prices.

3. **Profile of Anchorage Households: November 1987.** This section first profiles some of the broad characteristics of Anchorage households in late 1987. Then we examine how short-, medium-, and long-term residents have been affected by the recession.

4. **Changes and Expectations.** Here we look at how unemployment and labor force participation changed among our survey respondents between June and November: of the households where someone was unemployed in June, what had happened by November? We also try to assess whether Anchorage households became more optimistic or more pessimistic about their financial outlooks between June and November.

Moving: Who? Where? Why?

Anchorage has always been a place where lots of people come and go, and move around within the city. What has changed since the start of the recession is that more people have been moving out than moving in, and more people say they are likely to move out in the near future.

Arrivals and Departures

In the early 1980s, Anchorage was one of the fastest-growing cities in the country because so many more people were arriving than leaving. Table 1 shows that in 1980 there were 174,000 residents in 56,691 households in Anchorage. By 1985, 248,000 persons in 81,663 households lived in the city--a more than 40 percent increase in both residents and households in just five years. Table 2 shows why the city grew so fast during the early 1980s: tens of thousands more people were arriving than leaving.

Table 1
Change in Anchorage Population and Households, 1980-1987

	1980	1985	1987
Population	174,000	248,000	229,000
Households	56,691	81,663	77,527

Source: Municipality of Anchorage, Community Planning Department, Planning Support Services Division, *1987 Anchorage Population Profile*, December 1987.

The recession quickly ended that growth and introduced something many Alaskans had thought impossible: shrinking population and household numbers. By mid-1987--the most recent figures available--Anchorage's population had dropped to 229,000 residents in 77,527 households, or a decline of about 8 percent in population and 5 percent in households between 1985 and 1987.[5]

Table 2
Anchorage Population Movements, 1980-1987

	In[a]	Out[b]	Net Change
1980-83	69,561	12,824	+56,737
1983-84	30,960	17,264	+13,696
1984-85	27,074	22,631	+ 4,443
1985-87	35,057	54,525	- 19,468

[a]Includes births.
[b]Includes deaths.

Source: Municipality of Anchorage, Community Planning Department, Planning Support Services Division, *1987 Anchorage Population Profile*, December 1987.

The Municipality of Anchorage estimates that from mid-1985 through mid-1987, the city lost 54,525 residents and gained 35,057--for a net loss of about 19,500. Tables 3 and 4 add more evidence that Anchorage's population continues to flow in and out, but that recently those leaving have outweighed those coming in. Table 3 shows that 26 percent of the respondents in a 1976 Anchorage survey had lived in the city less than three years; in 1987, the proportion of respondents who had lived in Anchorage less than 3 three years had dropped to 17 percent.

Table 3
Households in Anchorage Less Than Three Years

	1976[a]	1987[b]
Percentage of all Anchorage households that had been in the city less than 3 years	26%	17%

[a]*Anchorage Municipal Housing Study*, prepared by Diddy Hitchins, Richard L. Ender, G. Hayden Green, Anchorage Urban Observatory Program, University of Alaska Anchorage, 1976.
[b]ISER Anchorage household survey for Alaska Power Authority, November 1987.

Another indication of the flow out is shown in Table 4. In 1976, just 6 percent of those surveyed in Anchorage said they planned to move Outside in the coming year; in 1987, that percentage was more than twice as high at 13. It's

Table 4
Plans to Move Within a Year

	1976[a]	1987[b]
Percentage of survey respondents who said they were likely to move:		
Within Anchorage or Alaska	19%	20%
Outside	6%	13%

[a]*Anchorage Municipal Housing Study*, prepared by Diddy Hitchins, Richard L. Ender, G. Hayden Green, Anchorage Urban Observatory Program, University of Alaska Anchorage, 1976.
[b]ISER Anchorage household survey for Alaska Housing Finance Corporation, June 1987.

interesting that in both 1976 and 1987 about 20 percent of those surveyed said they were likely to move within the city or elsewhere in Alaska in the coming year, indicating that the practice of moving around within the city is not just the result of the recession.

The thousands of military men and women stationed in Anchorage transfer in and out on regular rotations, and they have always made up a significant share of those coming in and leaving--but the difference recently is that they now make up a much bigger share of people coming in, because fewer non-military people are moving to Anchorage. Table 5 shows that as of June 1987, military households made up 50 percent of all households that had come to Anchorage since January 1986--the period when the recession was most severe. Military households made up about 37 percent of those households that had arrived in Anchorage during 1985, when the economy first slowed and

Table 5
Military as Increasing Proportion of Recent Anchorage Arrivals

Length of Residence as of June 1987:	0-18 months	1.6 to 2.5 yrs.
Military Households	50%	37%
Non-military Households	50%	63%

then fell into recession at the end of the year.

Further evidence of net out-migration from Anchorage can be seen in our finding that military households made up only about 17 percent of the households that left Anchorage in the last half of 1987. If we assume that about the same number of military people transfer in as transfer out at any given time, we can see that the overall number of people leaving the city in recent times has been much larger than the number coming in.

Plans and Reasons for Moving

People move for various reasons, but the recession has naturally focused attention on those who move because they can't make a living in Anchorage. In our June survey we asked households to tell us not only whether they were likely to move in the coming year, but where they were likely to move and why, and whether they were homeowners or renters. Table 6 and Figures 1 and 2 show plans for moving and reasons.

Table 6 shows that 16 percent of households said they were likely to move in Anchorage in the coming year, 4 percent said they were likely to move somewhere else in Alaska, and 13 percent said they were likely to leave the state. As we noted above, the percentage of people who thought they were likely to move Outside was considerably higher in 1987 than it had been in earlier times. But nearly 70 percent of all households said they were not likely to move at all in the coming year.

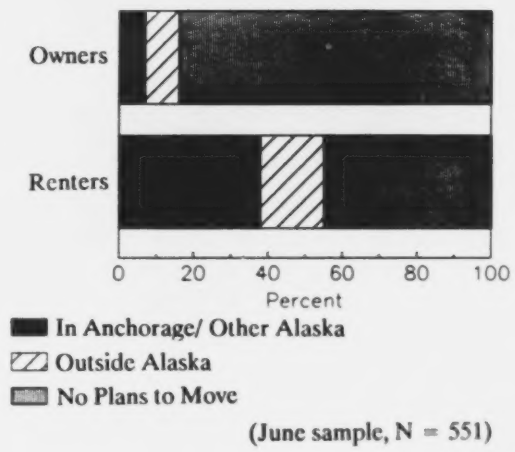
Table 6
Households Likely to Move Within a Year

	Percent
Likely, within Anchorage	16
Likely, within Alaska	4
Likely, outside Alaska	13
Not likely to move	67
	100

(June sample, N = 551)

Figure 1 shows what we would expect--that renters are far more likely to move both within the city and from the city than are homeowners: 7 percent of homeowners and 38 percent of renters said they were likely to move in Anchorage within a year; 9 percent of homeowners and 17 percent of renters said they were likely to leave Alaska in the coming year. Though renters in any American city are more likely to move than people who own homes, in Anchorage the difference is greater because the mobility of homeowners has been hampered in recent years by depressed housing prices, as we discuss further in the housing section. So it seems probable that if we had taken a similar survey in the early 1980s, when housing prices were rising, a larger share of homeowners would have had plans to move.

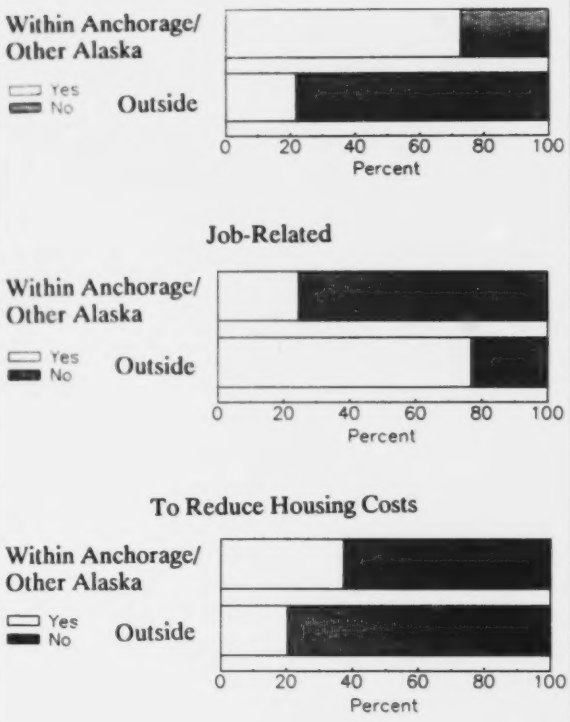
Figure 1
Plans to Move Within One Year, by Owner/Renter Status



(June sample, N = 551)

Figure 2 shows why households planned to move. This figure supports the popular opinion in Anchorage that those people who can move freely--mostly renters--are taking advantage of reduced rents and lower housing prices to move into better-quality homes. Nearly three in four households with plans to move in Anchorage said the move would be at least partly to improve housing quality. (Those we surveyed could cite more than one reason why they were moving, so the categories in Figure 2 aren't mutually exclusive.) And of those likely to move Outside, more than 75 percent said the move was job-related. Figure 3 profiles those households that actually left Anchorage between June and November 1987--as opposed to those that simply said they were likely to move--and looks at unemployment, occupa-

Figure 2
Reasons for Planned Moves*



*These are not households that did move, but those who said in June that they were likely to move within a year, and the percentages who cited these specific reasons.

(June sample, N = 179)

tions and many other characteristics of the households that left.

Who Left? Who Stayed?

Between June and November 1987 we lost about 13 percent of our original household sample because those households had their phones disconnected and had no new listings in the city.[6] There could be several reasons why those households no longer had phones: people who had once had phones listed in their names moved to households where the phones were listed in other names; the households could no longer afford phones or their service was cut off; or, the households were no longer in Anchorage.

We weren't able to get information on the percentage of Anchorage telephones that were disconnected in 1987 because the householders didn't pay their telephone bills, but we know that in general most people will try to hold onto their phones as long as they can. It's also impossible to trace how many people who once had phones listed in their names have moved into places where the phone is listed in someone else's name.

But we believe that such instances would be relatively few, and that all or almost all of the households whose phones were disconnected and who had no new listings as of November left Anchorage. We know that thousands of people did leave the city in 1987. We know that if households with school-age children are planning to move they often do so in the summer, after school lets out.

If we take that 13 percent and apply it to all Anchorage households as of mid-1987, that would mean about 10,000 households--including a significant share of households made up of just one person--left the city in the last half of 1987. Given what we know from other sources, such a number does not seem unreasonable. Keep in mind that this *does not mean* that Anchorage saw a net loss of that many households: households were still moving into the city, although fewer were moving in than moving out. (See Table 2; the municipality estimates that for every 5 persons who left Anchorage between 1985 and 1987, 3 arrived.)

Figure 3 compares households that left Anchorage between June and November with those that stayed. How were those who left different from those who stayed?

- Unemployment. *Households that left were nearly twice as likely as those who stayed to have one or more member unemployed.*

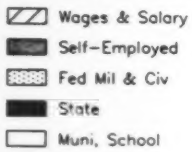
In June 1987, 20 percent of the households that later left Anchorage reported that at least one adult in the household--either the principal wage earner or another adult--was out of work. Among those who stayed, 11 percent said at least one adult in the household was unemployed.

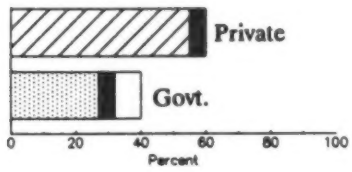
Similarly, the primary wage earners[7] in households that left Anchorage had unemployment rates more than twice as high as among

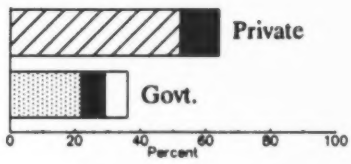
Figure 3. Who Left[a] Anchorage and

	Those Who Left	Those Who Stayed
What share of surveyed Anchorage households did they represent?	13%	87%
How many households had at least one member unemployed in June?	20%	11%
What were occupations of the primary wage earners?	Military 17% Const.-related (Const., trans., labor) 17% Others 66%	Military 11% Const.-related (Const., trans, labor) 12% Others 77%

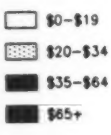
Did the primary wage earners work for government or private industry?

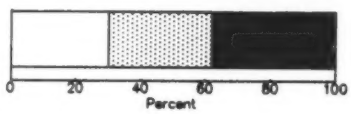


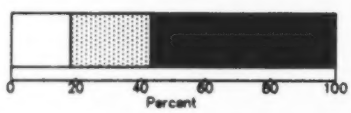




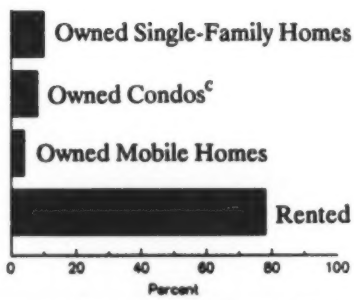
What were their 1986 gross household incomes?

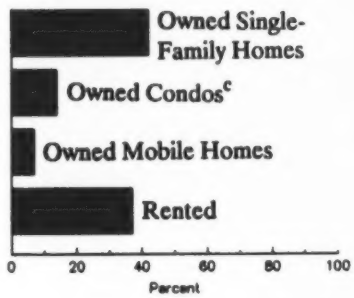






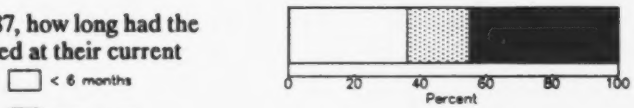
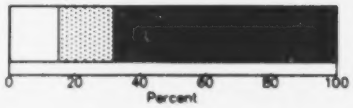
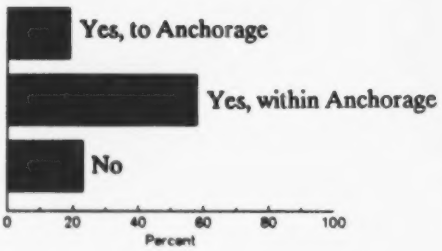
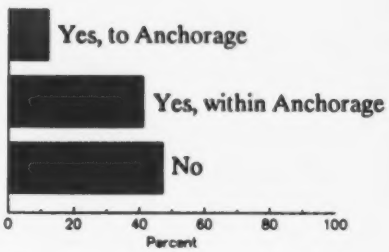
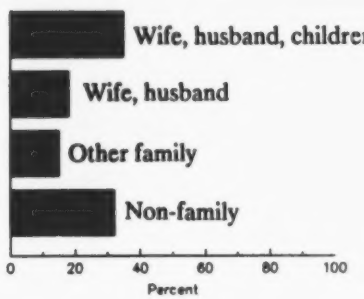
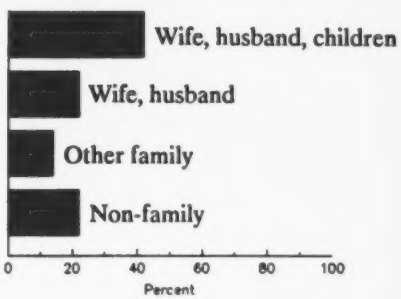
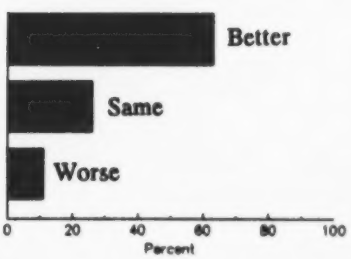
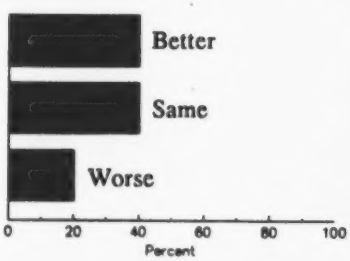
Where did they live?





[a]Based on households with disconnected phones and no new listings, n = 74.
[b]n = 477.
[c]Actually includes other attached housing but is largely condominiums and townhouses.

Who Stayed,[b] June – November, 1987

	Those Who Left	Those Who Stayed
As of June 1987, how long had the households lived at their current address?		
Had the households moved during the 3 years before June 1987?		
What type of households were they?		
Did they expect their households to be better or worse off financial ly by June 1988?		

How old were they?
(Primary wage earners)

	Those Who Left	Those Who Stayed
Under 35	65%	39%
35-54	34	47
55 & over	1	14

	Those Who Left				Those Who Stayed			
How long had they lived in Alaska? (Primary wage earners)	0-3 yrs.	33%	8-17 yrs	21%	0-3 yrs.	20%	8-17 yrs.	32%
	4-7 yrs.	21%	18+ yrs.	26%	4-7 yrs.	19%	18+ yrs.	29%

those who stayed: 7 percent as compared with 3 percent.

So while unemployment undoubtedly influenced one-fifth or more of the households that left--and certainly could have influenced others who may have lost their jobs after June--the majority of those who left had jobs in June.

- Occupations of Primary Wage Earners. *Military personnel and workers with construction-related jobs made up the largest percentages of primary wage earners among those who left. Movers did not differ significantly from stayers in other occupations.*

As stated above, military people rotating to and from Anchorage's army and air force bases have historically made up a significant share of Anchorage population turnover. During our survey period, military personnel made up 17 percent of households that left and they accounted for roughly 10 percent of those who stayed.

The construction industry has been the hardest hit by the current recession; statewide about 11,000 construction jobs disappeared between 1984 and 1987. Workers in construction-related jobs (we are including those who described themselves as construction workers, laborers, and transportation workers) accounted for another 17 percent of the households that left. Among those who stayed, construction-related workers made up about 12 percent of the work force.

- Government versus Private Industry Workers. *The proportions of primary wage earners working in government and private industry were roughly the same among those who left and those who stayed.*

Among those who left, 60 percent had worked for private industry and 40 percent for government. Most of the private workers who left were wage or salary workers; only a few (5 percent) were self-employed. Of the private workers who stayed, a bigger share (12 percent) were self-employed--which makes sense if you assume that many self-employed people have their own businesses and are more likely to try to stick it out than are those who work for wages.

The biggest share--27 percent--of government workers who left were military and federal civilian employees, and we can assume that all or almost all of those were transferring to jobs elsewhere. But another 13 percent of those who left had worked for either state or local government in Alaska--a percentage that wasn't significantly different than it was among those who stayed.

- Incomes. *More of the households that left had low or modest incomes and fewer had high incomes.*

These generally lower incomes make sense, in light of the fact that many of those who left were in the military, where pay scales have historically been lower than civilian wages.

More than 60 percent of the households that left earned less than $34,000 in 1986, and 30 percent made less than $20,000. Only 7 percent had household incomes at the top end--$65,000 or more. By comparison, about 43 percent of households that stayed in Anchorage during our survey period had incomes below $34,000, and 21 percent made more than $65,000 in 1986.

- Homeownership. *Not everyone leaving Alaska is leaving a foreclosed house behind--in fact, only 22 percent of those households that left had even owned homes.*

The households that left were much more likely to have rented homes when they lived in Anchorage: among households that left the city, 78 percent were renters, 10 percent owned single-family houses, 8 percent owned condominiums, and 4 percent owned mobile homes. By contrast, among households that stayed, 37 percent were renters, 42 percent owned single-family houses, 14 percent owned condominiums, and 7 percent owned mobile homes.

- Mobility. *In a city where there has historically been a lot of moving, the households that left the city moved even more than the average.*

Three in four of the households that left had moved to or within Anchorage during the three years before June 1987. And more than one-third of them had lived at their current addresses less than 6 months as of June.

Among those who stayed, more than 60 percent had moved to or within Anchorage in the previous three years, but only about 15 percent had lived at their current addresses less than six months--a substantially smaller figure than among those who left.

- Family Status. *Fewer of those who left were families with children and more were non-family households.*

Among the households that left, 53 percent were married couples with or without children, compared with 64 percent among those who stayed. Another 15 percent who left were other kinds of families--single parents with children, for instance, or households with at least some related members; that percentage was roughly the same among those who stayed. And the other 32 percent of those who left were non-family households--many of them likely just one-person households.[8] Among those who stayed, only 22 percent were non-family households.

- Financial Expectations. *The chance to improve their financial condition was evident in some people's decisions about leaving Anchorage.*

Whereas six in ten of the households that left predicted they would be better off financially by June 1988, only 4 in 10 of those who stayed saw better times on the horizon. Similarly, only 11 percent of those who left foresaw being worse off in a year's time, as compared with 20 percent among those who stayed.

- Age. *Young people were chiefly the ones who left. Sixty-five percent of the heads of households that left were under 35.*

In our sample, only one head of a household that left was over 55 years old.By comparison, 39 percent of the heads of our sample households that remained in the city were under 35, and 14 percent were 55 or older.

- Length of Residence. *Those who left were somewhat more likely to be short-term residents, but one in four had lived in Alaska 18 years or longer.*

Figure 3 shows that primary wage earners in the households that left Anchorage were split almost evenly among shorter and longer term residents. That doesn't mean, however, that older people were leaving the city, since most of those who left were under 35. What it means is that some people who left had probably been born in Alaska or come here when they were very young. Many of those young but long-term residents who left were construction workers--not surprising, considering the hit construction has taken in the recession.

A primary effect of the Alaska economic recession on Anchorage is this loss of population--something the city has not experienced in many years. The exodus of households from the city occurring on the heels of a real estate boom has left behind vacant housing, resulting in a secondary effect of the recession--the real estate crash. In the next section, we discuss what our survey results tell us about the Anchorage housing situation in 1987.

Anchorage Housing Status

For Anchorage property owners these days, the term "depressed housing market" isn't just an economic condition they read about in the newspapers: it's the reality they face if they need or want to sell their houses, condominiums, or mobile homes. Prices of residential property have dropped anywhere from 15 to 50 percent or more in the past two years.

The causes of the housing market crash are plain. As shown in earlier tables, Anchorage population and number of households have declined, while the number of housing units has remained essentially fixed. In mid-1987 close to 14,000 housing units in the city stood vacant--15 percent of all the housing stock in the city.[9] And for certain kinds of properties--big apartment complexes and mobile homes, for instance--the vacancy rate was much higher. Compounding the situation, many Anchorage residents have lost their jobs or watched their incomes fall. The

combination of declining population and lower incomes has pushed thousands of homeowners into foreclosure. Reduced demand has made it much harder to sell properties, and reduced incomes have made it hard for some homeowners to make their mortgage payments. The soft housing market has driven housing prices down--which has put more homeowners in the position of owing more on their properties than the properties will sell for.

For renters, a depressed housing market means something very different: it means lower rents and the chance to pick and choose, to move into nicer apartments or houses. And lower housing prices mean more renters can afford to buy.

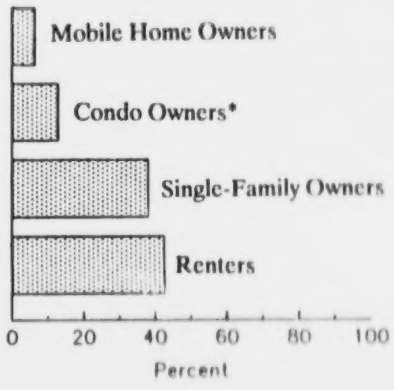
Homeownership and Mobility

In several tables and figures that follow, we examine the status of housing in Anchorage in 1987, and discuss what the figures tell us about the effects of the recession.

Figure 4 shows the shares of Anchorage households that owned mobile homes, condominiums, and single-family houses in mid-1987, and how many households rented. About 57 percent of our survey households owned their own homes in 1987, with the biggest share of those--38 percent--in single-family houses, 13 percent in condominiums and townhouses, and 6 percent in mobile homes. Among the 43 percent of households that were renters, most lived in apartments but some rented houses and a few rented mobile homes.

Table 7 shows the relative mobility of renters and owners in Anchorage in 1987 by how long they had lived at their current addresses. Renters naturally move more often, but what is striking in this table is just how often: 35 percent of the renters in our sample had lived at their current addresses less than 6 months at the time of our survey, and another 31 percent had moved within the previous 18 months. Some of those renters were undoubtedly new arrivals in Anchorage, but we know that fewer people have been arriving in the past couple of years--so we assume that many renters have in fact been moving around within the city to take advantage of nicer apartments and houses available at lower rents--the much-discussed "flight to quality." Only two in ten renters in Anchorage at the time of our survey had lived at their current addresses for as long as two and a half years.

Figure 4
Anchorage Owners and Renters, by Type of Housing, 1987



*Actually includes other attached housing but is largely condominiums and townhouses.

(June sample, N = 551)

Homeowners, as Table 7 shows, are more sedentary: half of them had owned their homes for more than four and a half years. And only 11 percent of the homeowners in our sample had bought their houses during 1986 or the first half of 1987. We know of course that fewer people have bought houses during the recession--partly because there are fewer prospective buyers and partly because some people who could buy are wary of getting into the market. But we also think that the low proportion of new homeowners may show another effect of the recession. Many Anchorage homeowners aren't able to sell their current homes and move into

Table 7
Length of Residence in Current Home by Owner/Renter Status, 1987

	6 months or less	7 - 18 mos.	1.5 - 2.5 yrs.	2.5 - 4.5 yrs	More than 4.5 yrs.
Own	5%	6%	13%	23%	53%
Rent	35	31	14	9	10

(June sample, N = 551)

bigger or better homes, despite lower prices. Ironically it is those lower prices that are keeping many current owners from taking advantage of lower prices. The fall in prices means that many now owe more on their properties than the properties will sell for.

Table 8 provides some more evidence of the effects of the recession on mobility of homeowners in Anchorage. It compares the shares of owners and renters who had lived at their current addresses less than a year and a half as of 1980 and as of 1987. Renters in 1980 were very mobile, as they remained in 1987--although we believe that in 1980 more renters had recently arrived in Anchorage than was true in 1987.

Table 8
Percentage of Households at Their Current Address Less Than 1.5 Years

	1980[a]	1987[b]
Owners	22%	11%
Renters	66%	66%

[a]U.S. Department of Commerce, Bureau of the Census, 1980 census of population. This actually represents households that had lived at their current addresses 15 months or less in March 1980.
[b]ISER household survey for Alaska Housing Finance Corporation, June 1987.

But in 1980 owners were twice as likely to be recent buyers than were owners in 1987. During 1979 and early 1980, the big influx of people into Anchorage had not yet really begun, and mortgage interest rates were high. Still, 22 percent of Anchorage homeowners reported in March 1980 that they had bought their homes in 1979 or 1980. At least part of those new homeowners were people who had sold houses within Anchorage and bought new ones.

And we know that during the boom years of the early 1980s, thousands of people were moving into Anchorage and many Anchorage homeowners were selling their homes and moving into bigger or better houses--so if we had figures from, say, 1983, we would expect the share of new homeowners to be much higher. By contrast, in mid-1987, only 11 percent of homeowners had bought in the previous 18 months.

Even in times of dwindling population, there are prospective homebuyers, and renters are an important part of that group--particularly now, when lower housing prices are putting homeownership within the reach of more people. In our June survey we asked renters whether they were considering buying homes, and if so, what kind. Table 9 shows that close to half the renters surveyed said they were thinking about buying. Of those, almost all--80 percent--said they were thinking about buying single-family houses. Another 12 percent were considering buying condominiums, 5 percent other kinds of attached housing, and just 2 percent mobile homes.

Table 9
Renters Considering Buying, 1987

If you currently rent a home, are you considering buying?	Yes	49%
	No	51%

If you are considering buying a home, what kind?

Single-Family House	80%
Condominium	12
Mobile Home	2
Other	5

(June sample, N = 97)

That obvious preference of buyers for single-family houses is reflected by the fact that houses have held their value much better than condominiums or mobile homes, although values of all kinds of properties have dropped. One of the big subjects of conversation in Anchorage lately has been just how many homeowners are underwater in this submerged market--how many owe more on their properties than they would sell for today?

Homeowners: How Are They Doing?

Figures 5 and 6 give us a measure of how owners of houses and condominiums are doing by comparing prices paid by homeowners and estimated average outstanding mortgages with the average 1987 prices of houses and condominiums.[10] The figures show the average prices paid by homeowners who bought in each year from 1980 through 1987, as well as what percentage bought their homes in any given

year. So, for example, Figure 5 shows that just over 4 percent of all those who owned homes in 1987 bought their houses in 1980, that they paid an average of around $104,000, and they had outstanding mortgages of about $93,000. (We assume, for the sake of simplicity, that all buyers paid 10 percent down; actual down payments of course can vary from zero to 20 percent or more of the purchase price.)

The Anchorage Multiple Listing Service (MLS) reports that in 1987 single-family houses sold for an average $127,150 and condominiums for an average $68,800. Remember that these are *averages*, calculated simply by totalling sale prices for all units sold during the year and then dividing by the number of units. Of course some units sell for much more than the average and some for much less.

Figure 5 shows that 65 percent of all those who owned single-family houses in Anchorage in 1987 had bought those houses since 1980. The biggest years for homebuying were 1983 and 1985. Average prices during the 1980s have ranged from a low of $104,000 in 1980 to a high of $152,000 in 1985--an increase of nearly 50 percent in five years. Prices began to drop in 1986, and in 1987 the average price homebuyers in our survey sample paid was around $128,000--which was very close to the MLS average of $127,000 for all homes sold in Anchorage last year. So average house prices in Anchorage dropped more than 15 percent between 1985 and 1987.

The top line on Figure 5 shows average price paid by year; the second line is an estimate of outstanding mortgage size by year. The straight line indicates average price of houses sold in 1987. What the figure tells us is that the average homeowner who bought in 1980 or earlier, or in 1982 when prices temporarily dipped, could probably sell his house for as much or more than he paid for it. About 47 percent of those who own single-family houses in Anchorage bought in 1980 or earlier or in 1982. An additional 5 percent in our sample bought in 1987. So roughly 52 percent of home owners could likely sell their houses for at least as much as they *paid* for them.

If we also look at who could at least cover their outstanding mortgage debt--assuming the average buyer put 10 percent down--the average buyer through 1984 could come close. This means that on average, those who bought in 1981, 1983, and 1984 could probably sell their houses for close to what they still *owe* on them, but lose part or all of what they had already paid on the principal.

If we combine those homeowners who probably could sell their houses for at least what they paid for them and those who could at least cover their outstanding mortgages, that amounts to around 80 percent of those who own single-family houses. It is the nearly 20 percent of homeowners who bought in 1985 and 1986 that would face the biggest losses if they had to sell today: the average outstanding mortgage on houses bought in 1985 and 1986 would exceed the average 1987 sales price by something in the neighborhood of $10,000.

The news is worse for condominium owners, as Figure 6 tells us. Relatively few condominiums were built in Anchorage before 1980, and we don't have good figures on average prices paid by those who bought condominiums before 1980 and were still living in them in 1987. The Multiple Listing Service (MLS) reports that in 1980 the average price of condominiums sold in the city was about $69,000. Prices went up from there, peaking at an average close to $100,000 in 1985. We know that the bottom began to fall out of condominium prices in 1986, but that fall is not reflected in the average price of condominiums sold that year. Prices of condominiums sold in 1986 remained near the 1985 level. We think what happened in 1986 was that only better-quality (and therefore higher priced) condominiums sold. By 1987, the lenders holding hundreds of foreclosed condominiums were putting big efforts into selling them and the re-sale of some of those foreclosed units meant that the 1987 average price of less than $69,000 better reflected the drop in condominium values.

The top line in Figure 6 is the average price condominium owners paid by year, and the second line is the estimated average outstanding mortgage, assuming buyers put 10 percent down. The straight line is the average price, as reported by the Anchorage Multiple Listing Service, for condominiums sold in Anchorage in 1987: less than $69,000, as we noted above.

What the figure tells us is no surprise--a lot of

Figure 5. Anchorage Single-Family Houses, Average Prices,[a] 1980-1987

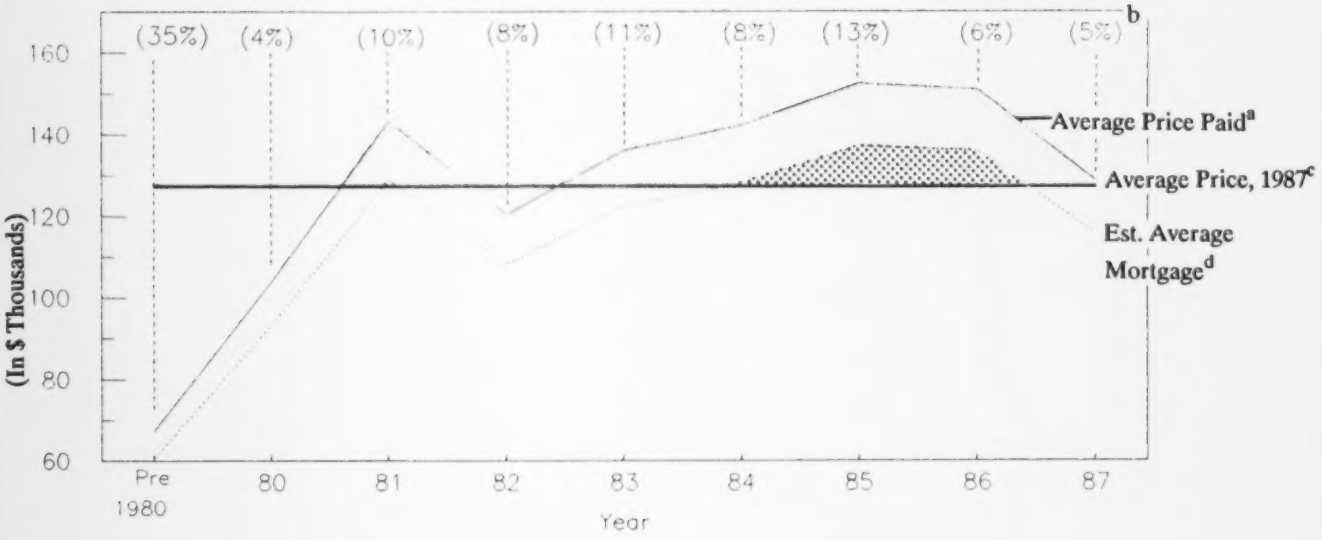
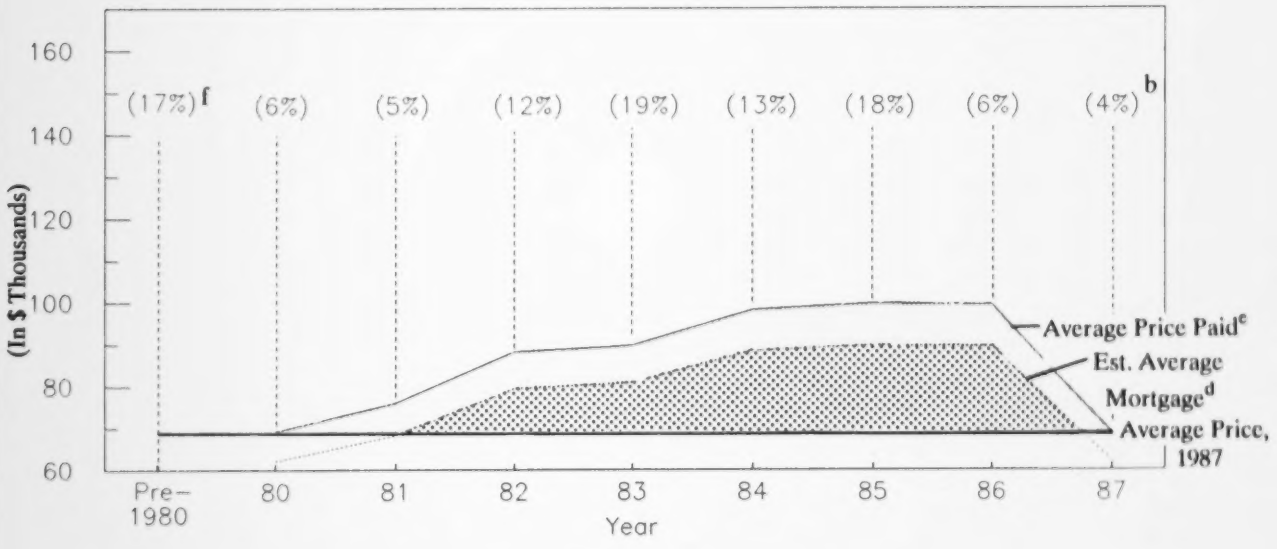


Figure 6. Anchorage Condominiums, Average Prices,[e] 1980-1987



[a]Owner-occupied houses only; based on responses in June 1987 ISER survey.
[b]Numbers in parentheses are the percentages of all single-family houses (or condominiums in Figure 6) still owned in 1987, by year of purchase.
[c]Annual average for all single-family houses sold through Anchorage Multiple Listing Service in 1987.
[d]Assuming all buyers paid 10 percent down.
[e]Average prices for all condominiums sold through Anchorage Multiple Listing Service in each year; small sub-sample numbers in our survey caused large deviations from the average.
[f]Pre-1980 price information for condominiums not available.

Key: ☐ Price higher than 1987 prices. ▒ Mortgage debt higher than 1987 prices.

condominium owners would be in trouble if they had to sell at today's prices. If we assume that the 17 percent of condominium owners who bought before 1980 have positive equity, and that those who bought in 1980 and 1987 could likely sell for about what they paid, then about 27 percent of those who owned condominiums in 1987 could probably get as much or more than they paid for their condominiums. If we consider those who could probably at least cover their mortgage debt, we would add in those who bought in 1981. So roughly 32 percent of those who owned condominiums in 1987 could at least cover their mortgage debt at today's average prices.

So how much negative equity is there among Anchorage homeowners, if we use the average 1987 average prices of houses and condominiums as a measure of current market value? We use two measures of negative equity: (l) the difference between *outstanding mortgage debt* and average 1987 prices; and (2) the difference between *average prices paid* in earlier years and average 1987 prices. Table 10 makes some very rough estimates of these two groups.

The first set of numbers in Table 10 looks at house and condominium owners whose mortgage debt exceeds the current market value of their houses, as measured by 1987 average prices.

Approximately 19 percent of owners of single-family houses--those who bought in 1985 and 1986--have mortgage debt that exceeds current market value. That amounts to around 4,300 homeowners in the city, and the difference between what these homeowners owe and 1987 average house prices is around $9,600. If we multiply that average $9,600 deficit by 4,300, we see that the difference between the total outstanding mortgage debt held by these homeowners and the 1987 market value of their properties is about $41 million. Looking at it another way, if all these homeowners had to sell--or defaulted--at current market value, the overall mortgage losses to them and their insurers would be $41 million. (These figures do not include any costs of foreclosing on or holding properties--just the amount by which outstanding mortgage debt exceeds current market value of single-family houses bought in 1985 and 1986.)

Among condominium owners, roughly 68 percent owe more than the 1987 average price of condominiums. That amounts to about 6,300 condominium owners in Anchorage, and the difference between their average mortgage debt and 1987 value is $16,400. The total difference between mortgage debt held by these condominium owners and current market values of their properties is around $103 million.

Adding together "underwater" mortgage debt of house and condominium owners, we estimate that amounted to about $145 million at the end of 1987.

But there is a larger group also facing losses: those who paid more than their properties would sell for today. This group includes not only those we described above, but also others who could likely cover their mortgage debt but would lose all or part of their down payments and any additional payments on principal if they had to sell at today's prices. The second part of Table 10 looks at that larger group.

Among owners of single-family houses, we estimate that 48 percent paid more than current market value for their houses. That amounts to around 13,300 homeowners. We estimate the difference between the average price those people paid and the average 1987 price is roughly $17,700. If we multiply 13,300 homeowners by $17,700, we see that the total difference between what these homeowners paid and what their properties would sell for today is about $235 million.

About 73 percent of condominium owners--6,800--paid more than their properties would sell for now, with an average difference of approximately $24,500. If we multiply 6,800 condominium owners by $24,500, we see that the total difference between what they owners paid and the 1987 value of their properties is about $167 million.

Together, the difference between what house and condominium owners paid and what they could sell their properties for today is about $400 million.

In summary, Figures 5 and 6 and Table 10 tell us most owners of houses could at least cover

Table 10

Estimated Negative Equity Among Anchorage Homeowners, December 1987

Single-Family Houses	Condominiums
Percentage of Anchorage homeowners whose mortgage debt exceeds 1987 average price: 19%[a]	**Percentage of Anchorage condo owners whose mortgage debt exceeds 1987 average price: 68%[a]**
No. of homeowners whose mortgage debt exceeds 1987 average price: 4,300[b]	No. of condo owners whose mortgage debt exceeds 1987 average price: 6,300[g]
Average difference, mortgage debt and 1987 average price: -$9,600[c]	Average difference, mortgage debt and 1987 average price: -$16,400[h]
Total potential mortgage loss to 1985-86 buyers or insurers: $41 million [4,300 x $9,600]	Total potential mortgage loss to 1982-86 buyers or insurers: $103 million [6,300 x $16,400]
Percentage of Anchorage homeowners who paid more than average 1987 price: 48%[d]	Percentage of Anchorage condo owners who paid more than the 1987 average price: 73%[d]
No. of homeowners who paid more than average 1987 price: 13,300[e]	No. of Anchorage condo owners who paid more than 1987 average price: 6,800[i]
Average difference, purchase price and average 1987 price: -$17,700[f]	Average difference, purchase price and 1987 average price: -$24,500[j]
Total potential price loss to buyers and insurers: $235 million [13,300 x $17,700]	Total potential price loss to buyers & insurers: $167 million [6,800 x $24,500]

[a]From Figures 5 and 6. Mortgage debt was assumed to equal 90 percent of the average sale price at the time of purchase. "Condominium" calculations are based on estimated numbers of owner-occupied condominiums, townhouses, and zero-lot line units.

[b]Calculated by multiplying total owner-occupied houses as of mid-1987 by 19% and subtracting estimated number of houses foreclosed on between June and December 1987.

[c]Calculated by taking a weighted average of 1985 and 1986 estimated mortgages and average 1987 price.

[d]From Figures 5 and 6.

[e]Calculated by multiplying total owner-occupied houses as of mid-1987 by 48% and subtracting estimated number of houses foreclosed on between June and December 1987.

[f]Calculated by taking a weighted average of 1981 and 1983-86 prices and subtracting average 1987 price.

[g]Calculated by multiplying total owner-occupied condominiums as of mid-1987 by 68% and subtracting estimated number of condominiums foreclosed on between June and December 1987.

[h]Calculated by taking a weighted average of 1982-86 estimated mortgages and the average 1987 price.

[i]Calculated by multiplying total owner-occupied condominiums as of mid-1987 by 73% and subtracting estimated number of condominiums foreclosed on between June and November 1987.

[j]Calculated by taking a weighted average of the 1981-86 purchase prices and subtracting 1987 average price.

their mortgage debt if they had to sell at today's prices, and close to half could get about as much as they paid. Among condominium owners, only around 32 percent could cover their mortgage debt and 27 percent could recoup at least as much as they paid.

Profile: Anchorage Households, November 1987

In this section we report what the households in our November 1987 survey sample looked like. We start by briefly describing some broad characteristics of Anchorage households at the end of 1987--household composition, income distribution, labor force participation, and expectations about income. Those broad characteristics are shown in Figure 7. Then we divide the households up and look at them by length of residence.

General Characteristics

As Figure 7 shows, a majority (63 percent) of Anchorage households we surveyed in November were married couples, either with or without children. Married couples with children made up 41 percent of all Anchorage households and 53 percent of all families in our survey. Non-family households made up the next largest category with 22 percent of all households. These figures are not much different from the nationwide pattern and show little change from what Anchorage looked like in the 1980 census.

Households with two adults, including those with children, made up by far the largest share of all households we surveyed--65 percent--and in most of those both adults were in the labor force.[11] As the figure shows, 45 percent of all Anchorage households had two adults with both in the labor force. In 20 percent more households, only one of the two adults was in the labor force. We can't tell whether the recession has changed labor force participation among Anchorage households--we don't know, for instance, what household labor force participation looked like in 1985. It might be that the share of households with two workers has dropped as the recession cost some people their jobs. On the other hand, the recession may have forced some households to send a second adult out to look for work, to make ends meet. We'll keep monitoring this labor force participation in future surveys.

Anchorage households we surveyed in November reported a median gross 1986 income of around $38,000. The distribution in Figure 7 shows that nearly 14 percent of Anchorage households made less than $14,000 in 1986, while just about as many made $75,000 or more. About 45 percent of all households reported 1986 incomes between $15,000 and $44,000.

Most of the households we surveyed near the end of 1987 estimated their 1987 incomes would be at least as high or higher than their 1986 incomes. Thirty-eight percent expected higher incomes, 40 percent the same, and 22 percent lower. This supports the notion that household incomes overall were at least holding steady in Anchorage in the second half of 1987.

But when we asked a related question--is your household better or worse off financially now than it was a year ago?--more households reported being worse off than we would expect, based on just the income figures. While only 22 percent reported that their incomes had dropped between 1986 and 1987, 35 percent reported they were worse off financially than a year earlier. This finding indicates that some households were taking into account things other than just income in deciding if they were better or worse off. For instance, some households likely classified themselves as worse off because they had lost such non-income services as fringe benefits or because the value of their properties had dropped so much.

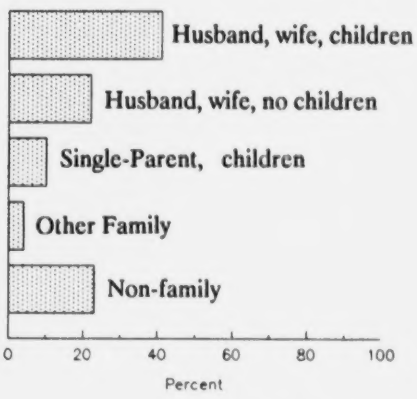
Households by Length of Residence

In an Alaska conversation, you're just as likely to be asked how long you've lived in the state as what kind of work you do or whether you have children: length of residence has always been an important piece of information among Alaskans.

When we were sorting through our survey data, looking for ways to assess the effects of the recession on different households in Anchorage, we tried a number of comparisons among households. We found that the old Alaska stand-by--how long have you been here?--gave us some of the most revealing comparisons

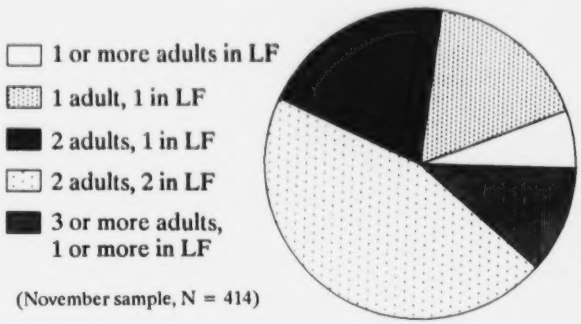
Figure 7. Selected Characteristics of Anchorage Households, 1987

Household Composition



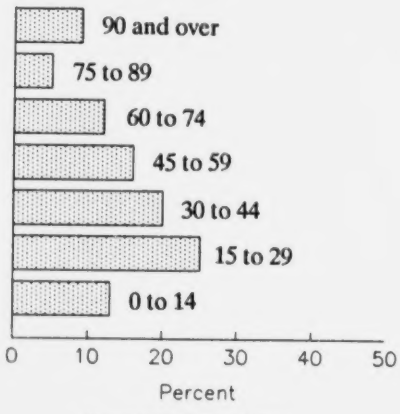
(June sample, N = 551)

Household Labor Force Participation



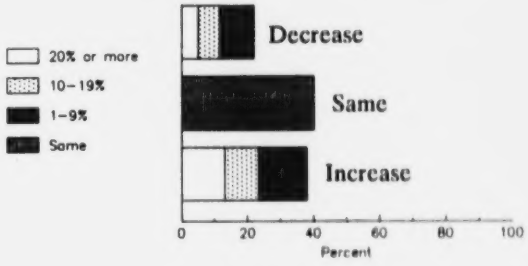
(November sample, N = 414)

What was your gross household income in 1986? (in $ thousands)



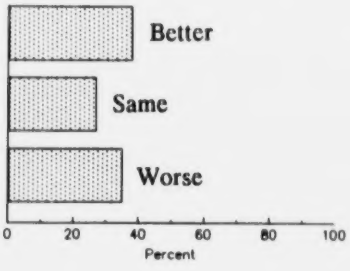
(June sample, N = 551)

Do you estimate your 1987 household income will be higher or lower than your 1986 income?



(November sample, N = 414)

Is your household better or worse off than it was a year ago?



(November sample, N = 414)

among households--not only about how the recession has affected different types of households but more broadly about various characteristics of shorter and longer term residents. Figure 8 presents a profile of Anchorage households by length of residence from our November 1987 survey. Here's what the figure tells us:

Government and Private Industry Workers

- Anchorage's newest households (those that have been here less than 3 years) are most likely to be headed by military men and women--which reflects the fact that fewer nonmilitary households have been arriving in Anchorage since the recession started.

- At least one in eight of the heads of households across all residence groups are federal civilian employees. But if we calculate government employment *excluding* military households--which make up a very big share of new households but none of the longer term ones--we see that federal civilian workers head almost one in four of Anchorage's newest nonmilitary households. That too corresponds with what we know of the recession: that it has not affected federal employment in the state, and that a good share of those arriving in Anchorage in the past three years came with federal civilian jobs.[12]

- Few of the heads of Anchorage's newer households work for the state government--which reflects the cutbacks in state hiring in recent years. State workers are much more likely to be long-term residents; in our sample, 15 percent of the heads of households that had been in Anchorage 18 or more years were state workers.

- The municipal government and the school district have hired some workers since 1985--as shown by the fact that some heads of Anchorage's newer households work for local government--but the percentages of local government workers are higher among the longer term residents. For example, municipal and school district workers account for 3 percent of the primary wage earners in households that had been in the city 4-7 years, but 12 percent of those in households that have been here longer than 18 years.

- The share of self-employed people is biggest among those who have been here longest--which is what we would expect, if many of those self-employed people own businesses: 22 percent of the heads of households that have been in Anchorage 18 years or more are self-employed. By contrast, wage and salary workers make up almost all of the private workers among households that have been here less than 3 years.

Occupations

- If we exclude military personnel, professional and technical workers make up the most common occupation group among the city's newest households--nearly 50 percent of the heads of non-military households that arrived in Anchorage within the past three years are in professional or technical occupations. This indicates that in recent years proportionally fewer people have come to and remained in Anchorage for construction, service-related, and other jobs than have for professional jobs. For example, only 6 percent of the 0 to 3 year residents have construction-related jobs and only 3 percent marketing and sales jobs.

- Among households that arrived in the city during the boom years (4 to 7 years ago), marketing and sales and construction-related jobs--which made up about 14 percent each of the occupations of heads of households--are more common than among newer residents. Remember that this survey was done in November--after, as we discussed earlier, a substantial number of construction workers had already left the city. That there were still such a significant percentage of construction workers left among those who had been in the city 4 to

7 years shows that before the recession began construction workers must have made up a very big share of those who came to the city in the early 1980s. Also, the fact that marketing and sales show up as among the most common occupations among the 4-7 year residents--and not among other newer or longer-term households--indicates that many people in these service-related occupations were also drawn to Anchorage by the real estate boom of the early 1980s.

- One in three of the heads of households that have been in the city longest (18 years or more) are in executive, administrative, and managerial jobs. That high percentage shows that not all executives and managers are short-term residents, transferred in from outside the state--many are long-time Alaskans who have worked their way up.

Homeownership

- No one in our sample who arrived in Anchorage within the past 3 years owns a mobile home. By contrast, 13 percent of those who came to Anchorage 4-7 years ago own mobile homes--a bigger share of mobile home owners than in any other group. As much as anything else, those figures tell us about the rise and fall of the real estate market in Anchorage in the 1980s. In the early 1980s, when thousands of people were arriving in the city, housing prices were high, and vacancies were few, mobile homes became the only alternative for many people who wanted to own homes but couldn't afford houses or condominiums. But when vacancies increased and prices began to slide, the first to slide were mobile home prices. Most people prefer something other than a mobile home if they can afford it--and in a market of falling prices and abundant supplies of houses, more people can afford to bypass mobile homes.

- Another sign of the times in the Anchorage real estate market is that only 6 percent of those who have been here less than 3 years own condominiums, while 21 percent own single-family houses. Buyers prefer houses--and more of the smaller number of buyers in Anchorage in the past couple of years have bought houses. By comparison, among those who arrived in the city 4-7 years ago--during the boom years--14 percent own condominiums and just 17 percent own single-family houses.

- Most long-time residents own single-family houses: roughly 6 in 10 of those who have been here at least 8 years own houses. About 20 percent of these long-time residents still rent--as compared with more than 55 percent among those who have been in the city 4-7 years.

Incomes and Financial Well-Being

- Many Anchorage households earned less than $20,000 in 1986, but that share was largest among those who had been in Anchorage between 4 and 7 years--25 percent in that group earned less than $20,000 in 1986.

- More than 60 percent of Anchorage's newest households (0-3 year residents) took in less than $34,000 in 1986. Those incomes concentrated at the low end are due at least in part to the fact that many of those households are military--and military pay is typically lower than civilian pay. Also, in 1986 some of those households were still in the lower 48--where pay rates are generally lower.

- About one in four of Anchorage's longer-term households (those that have been here 8 years or more) had 1986 household incomes that exceeded $65,000. That makes sense, given that longer term residents are more likely to be older, to have been in their occupations longer, to have worked their way up the pay scale, and to hold executive or managerial jobs.

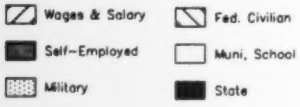
- Most residents in all categories expected their 1987 incomes to be at least as high or higher than their 1986 incomes. But the newest residents were the most optimistic: 23 percent of the heads of households that

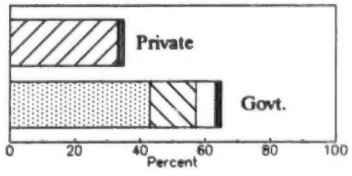
Figure 8. Profile 1987: Anchorage

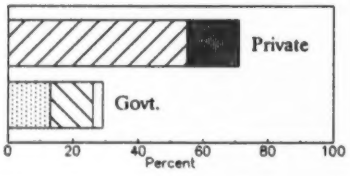
0–3 Year Residents
(17% of total)

4–7 Year Residents
(23% of total)

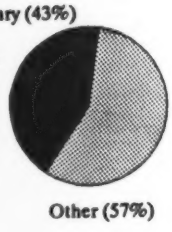
Do you work for government or private industry?
(Primary wage earner)







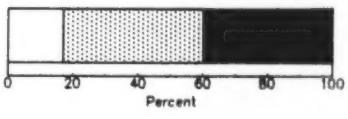
What is your occupation?
(Primary wage earner)

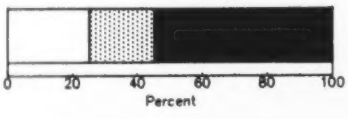


Other	
Professional, techn.	49%
Exec., admin., mgr.	14%
Marketing & sales	3%
Admin. support	17%
Const.-related	6%
All others	11%

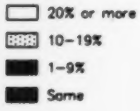
Other	
Professional, techn.	30%
Exec., admin., mgr.	11%
Marketing & sales	14%
Admin. support	10%
Const.-related	13%
All others	22%

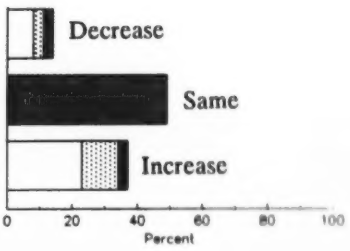
What was your gross household income in 1986?

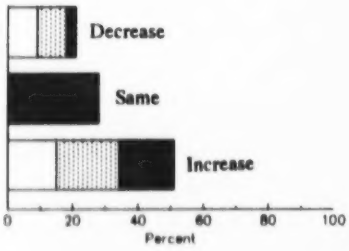




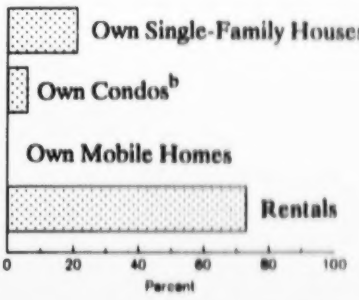
Do you estimate your 1987 household income will be higher or lower than your 1986 income?

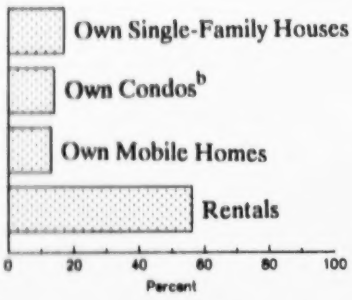






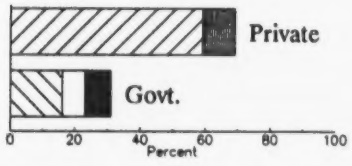
What kind of home do you live in?





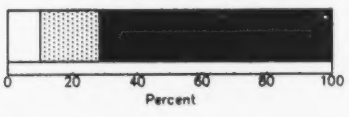
Residents by Time Lived in City*

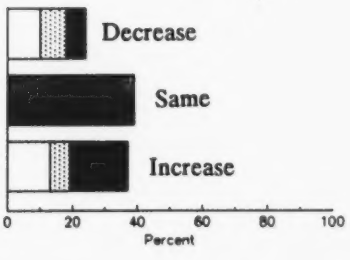
8–17 Year Residents
(31% of total)

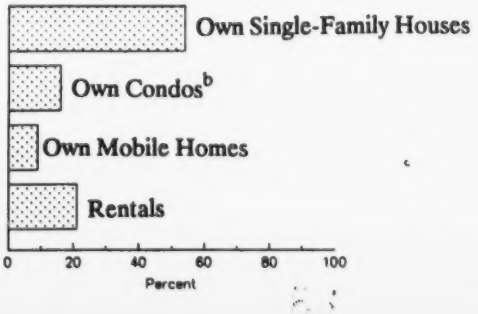


(No Military)

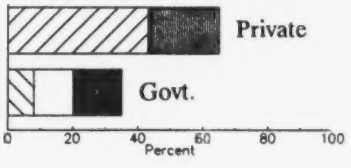
Professional, techn.	27%
Exec., admin., mgr.	25%
Marketing & sales	8%
Admin. support	10%
Const.-related	12%
All others	18%





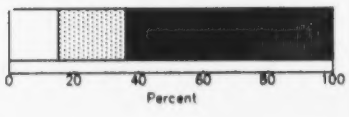


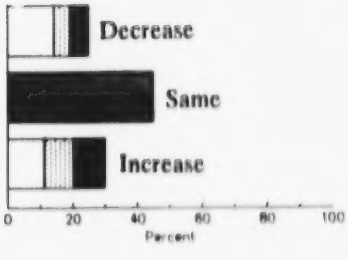
18+ Year Residents
(29% of total)



(No Military)[a]

Professional, techn.	29%
Exec., admin, mgr.	32%
Marketing & sales	6%
Admin. support	11%
Const.-related	9%
All others	13%





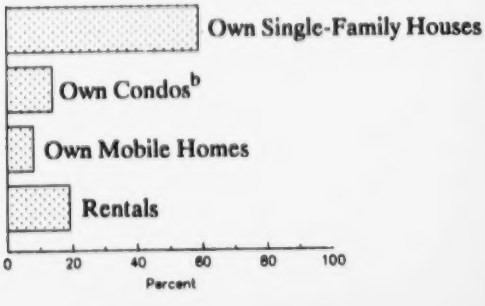
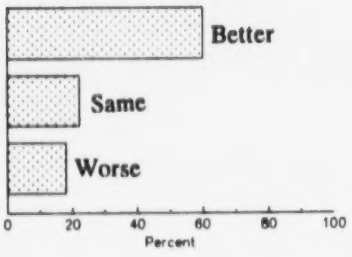
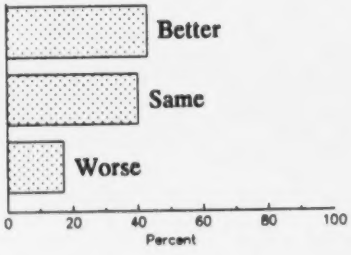
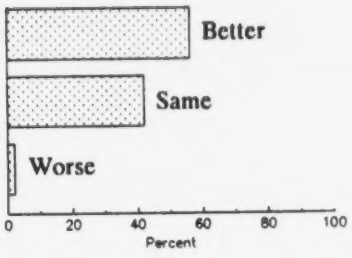
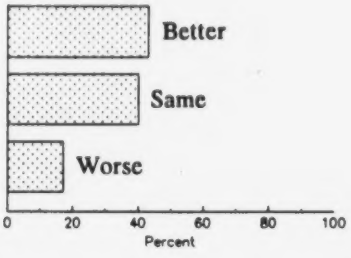
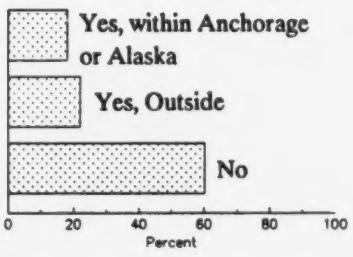
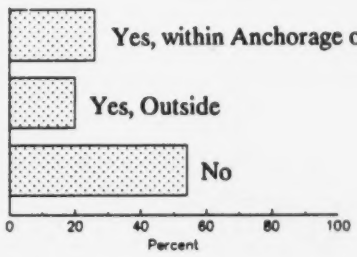


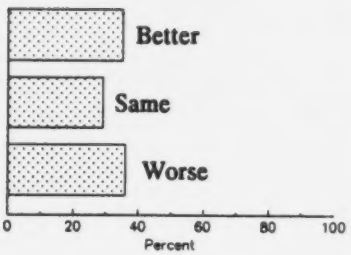
Figure 8. (cont.) Profile 1987: Anchorage Residents

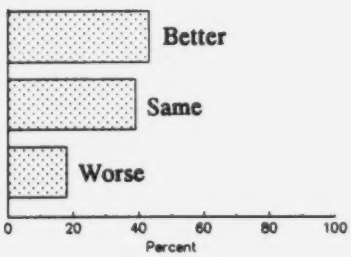
	0–3 Year Residents	4–7 Year Residents
Is anybody in your household currently unemployed ?	Yes 10.3%	Yes 12.1%
Is your household better or worse off financially now than a year ago?		
Do you expect your household to be better or worse off financially a year from now?		
Is your household likely to move in the next year?		

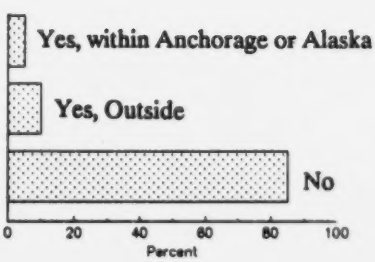
by Time Lived in City*

8-17 Year Residents

Yes 9.8%

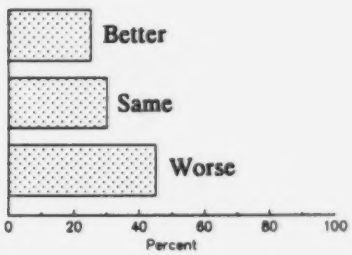


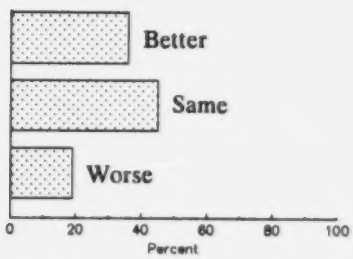


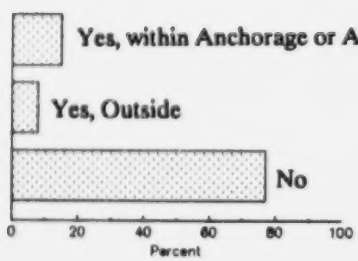


18+ Year Residents

Yes 11.4%







[a]Does not take into account National Guard; just full-time military.
[b]Actually includes other attached housing but is mostly condominums and townhouses.

had been here less than 3 years expected their incomes to be 20 percent or more higher than in the previous year. Those great expectations could have been the result of many things--including the fact that those who came to Alaska with jobs are likely earning more here than they earned in the lower 48.

- Householders who had been here longer--8 years or more--were somewhat more likely to to say they expected their incomes to drop. And of those long-term residents who expected increased incomes, most foresaw small increases; for example, about 20 percent of households that had been here 8-17 years expected their incomes to increase by 1 to 9 percent. The more negative expectations of longer-term residents could have various causes. We've seen that many of these long-term residents were in the higher income brackets in 1986--some of them may have felt that they were already at the top of their pay scales; some may have taken pay cuts. Also, more people who have been here longer own real estate--and if that real estate is income-producing, it's likely producing less income than it used to.

- Looking back on the previous year, the newest residents were by far the most likely to say they were better off financially in 1987 than they had been in 1986, and the longest residents were most likely to say they were worse off. About 60 percent of the households that had been in Anchorage less than 3 years reported they were better off at the time of the survey than they had been a year earlier. That probably reflects the fact that most newer residents came here with jobs, and most don't own real estate--and those who do bought when prices were lower rather than higher.

- Among those who have been here 18 years or more, 45 percent said they were financially worse off in 1987 than they had been in 1986. That response helps us get at a measure of financial well-being beyond income: we know that people who have been here longer are more likely to own residential and commercial real estate. The value of that real estate may have dropped anywhere from 15 to 50 percent or more in the past two years--and certainly those who have lost the equity in their properties, who may in fact owe more than the properties are worth, and who may have to meet large payments on vacant properties, would be financially worse off than they were earlier.

Household Unemployment

- Households that have just arrived and those that have been here for a long time suffered just about equally from unemployment at the end of 1987. Around 10 percent of households in all categories reported at least one adult unemployed as of November. Households that had been here 4-7 years reported slightly higher unemployment--more than 12 percent. That might indicate people in that residence category are more concentrated in the kinds of jobs--construction, for instance--that have been hurt the most by the recession, but the difference is not large enough to make much of. Remember, however, that these were unemployment figures as of November--and we know from our earlier discussion that unemployed people made up a substantial share of those who left Anchorage between June and November.

Financial Expectations

- Households in all the various residence groups are generally optimistic about their future finances--at least 80 percent of all households in every category said in November 1987 that they would be at least as well off or better off in a year's time. Those responses reflect a widespread belief--and widespread hope--that the recession is coming to an end.

- Following the trend we have already seen above, the newest residents are the most optimistic and the longest residents the least. More than half--56 percent--of those

who had been in Anchorage less than 3 years believe they will be better off financially in a year's time. That optimism is probably attributable to the same reasons why most newcomers felt they were better off at the time of the survey than they had been in the past: they came to Anchorage with jobs; they were enjoying lower rents and cheaper housing prices; and they were less likely to be carrying real estate debt than were residents who had been here longer.

- And although most long-time residents agree that better times are ahead, 20 percent still believe that their finances will be worse in a year's time--and that pessimism probably also reflects the fact that many longer term residents own properties or businesses that have been hurt by the recession and which will not recover immediately.

Moving Plans

- Not everyone is planning to pack up and leave Anchorage: a majority of households in every residence category had no plans to leave the city in 1988. But one in four of the newer households--those that had been in the city less than 7 years--do plan to leave Anchorage within the next year. Some of those households--particularly among those who have been here less than 3 years--are military households, anticipating their regular transfers to other posts. A portion of the nonmilitary households would also likely have plans to leave the city, even if there were no recession--as we saw in Table 2, substantial numbers of people left the city even during the economic boom times. But some are undoubtedly planning to leave because their job prospects here are still poor.

- And a substantial number of households--26 percent among households that had been here 4-7 years--say they plan to move within Anchorage in the coming year. We saw in earlier tables that the chief reason people move in the city is to get better-quality housing--so it seems that in fact many newer residents are planning to take advantage of lower prices and abundant supplies of housing. Longer-term residents are more likely to be homeowners, some of whom are constrained by having negative equity in their current homes.

Changes in Employment and Expectations, June-November

In this final section we look specifically at the way two indicators of the state of the economy--employment and expectations about the future--changed between our June and our November surveys.

We report employment measures in Table 11: among households where someone was out of work in June and, conversely, where no one was out of work in June, what had happened by November? And were there any significant labor force changes between June and November?

The table shows that of the households where there was unemployment in June, most had either found jobs (42 percent) or left the city (22 percent) by November. Only about one in four households that reported unemployment in June still reported unemployment 5 months later--which is grim evidence of the duration of unemployment among some households. But overall the table shows that many of those out of work in mid-1987 were able to find work by later in the year, or had left the city to look elsewhere.

The second part of Table 11 shows what had happened by November in households that reported no one unemployed (full employment) in June. Most of them--70 percent--were still experiencing full employment. Only 5 percent had someone unemployed in November, and much of that was probably loss of seasonal jobs.

The last part of Table 11 shows that there were only slight changes in labor force participation between June and November: about 98 percent of all household heads had jobs in June, as compared with 94 percent in November; in June 93 percent of all people in the labor force had jobs, as compared with 92 percent in November.

At first glance, the table seems to show that

Table 11
Employment Comparisons, June and November

Households Experiencing Unemployment in June (12.2% of Respondents)

	Number	Percent
Total number of households w/unemployment in June	67	100%
As of November:		
HH still experiencing unemployment	19	28
HH no longer experiencing unemployment	28	42
HH moved from Anchorage	15	22
Non-response	5	8

Households Experiencing Full Employment in June (87.8% of Respondents)

	Number	Percent
Total no. of households withfull employment in June	484	100%
As of November:		
HH still experiencing full employment	341	70
HH experiencing unemployment	26	5
HH moved from Anchorage	59	13
Non-response	68	12

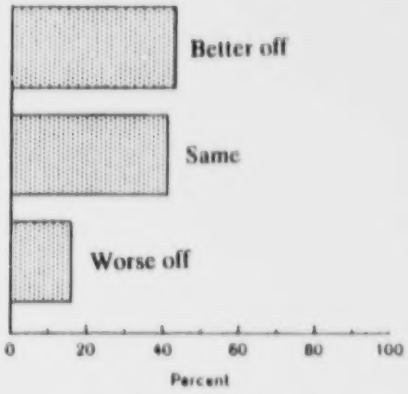
Labor Force Changes

	June No.	June %	November No.	November %
Percent employed of primary wage earners in the labor force:	493	98%	363	94%
Percent employed of all wage earners in the labor force:	873	93%	647	92%
1 or more household members expect job to end within 3 mos.:	66	12%	19	5%

things were slightly better in June--but in fact what it mainly shows is a normal seasonal variation. The last part of Table 11 illustrates this point--in June 12 percent of households had someone who expected his job to end within three months and in November the number was just 5 percent. Many Alaska jobs are just summer jobs that disappear long before November. However, the very normality of these figures is a sign that the recession was slowing down in the second half of 1987--that the change in employment was due mainly to the expected loss of summer jobs.

Finally, Figures 9 and 10 show that most households we surveyed were at least as optimistic or more optimistic about the economy in November than they had been in June. In both June and November, respondents were asked if they expected their household finances to be better, worse, or the same in a year's time. In November, close to 45 percent of households we surveyed said they expected to better off financially in a year's time; another 40 percent expected to be doing at least as well. Only 15 percent of household's expected to be doing

Figure 9
Household Financial Expectations, November 1987

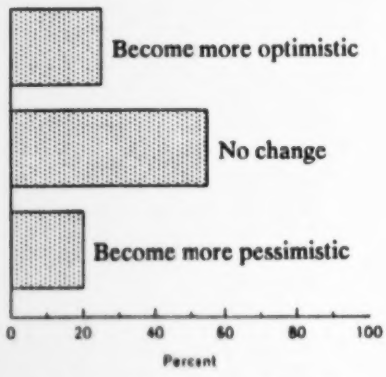


(November sample, N = 414)

worse a year down the road.

Figure 10 illustrates changes in respondents' expectations for household finances between June and November. Did people become more optimistic about the year ahead, more pessimistic, or have about the same expectations? To answer this, we categorized as "more optimistic" those people whose outlook for their financial future had improved, i.e., they had expected things to get worse or stay the same in June and changed their answer to "better" in November, or said "worse" in June and changed to "same" in the November survey. The "more pessimistic" respondents did the opposite, i.e., they changed from saying in June that things would get better or stay the same to "worse" in November, or changed from saying "better" in June to answering "same" in November. Respondents whose answers did not change between the two surveys were put in the "no change" category. The resulting table shows that the financial expectations of about 25 percent of households improved between June and November, 55 percent stayed the same, and 20 percent grew more pessimistic. It's interesting to point out that very few respondents (8 percent) said in both June and November that they expected their finances to worsen over the next year. In fact, close to half answered in both surveys that they expected household finances to stay the same or to get better--25 and 22 percent, respectively.

Figure 10
Changes in Household Financial Expectations, June to November*



(June and November, N = 414)

*See text explanation of categories.

We don't want to put too much emphasis on such slight evidence--but it does show a turn toward optimism: the Anchorage households that had made it to the end of 1987 were beginning to see--or at least hoped to see--better things on the horizon.

Endnotes

[1]We realize that one shortcoming of telephone surveys is obvious: they don't reach people without phones. Most Anchorage households do have phones, but some don't; our surveys may therefore under-represent some of the poorest or most transient residents.

[2]We continue to be grateful that most households we call are willing to answer our questions carefully and thoughtfully.

[3]Our sample size in November was 414 households; we analyzed the June and November samples and found no significant differences in household characteristics between the two.

[4]See Scott Goldsmith, "Alaska's Economy: What's Ahead?" *Alaska Review of Social and Economic Conditions,* Vol. XXIV, No. 2, University of Alaska Anchorage, Institute of Social and Economic Research, December 1987.

[5]Figures from the Municipality of Anchorage.

[6]ISER thanks the Anchorage Telephone Utility for its help in determining how many households with disconnected phones had no new listings in the city. ATU provided this information while maintaining the confidentiality of its phone subscribers.

[7]The primary wage earner, also referred to as the head of household, is defined as the adult earning the highest wages or, if wages are equal or no adults are currently working, it is the oldest person in the household. We identified the primary wage earner based on the June data and referred to the same person in analyses of the November data.

[8]The Municipality of Anchorage has found that single men have left the city at a much higher rate than single women during the recession. See the municipality's *1987 Anchorage Population Profile* (December 1987). Another good source of information on the sex, age, education, and other characteristics of Anchorage residents in late 1987 is *The Belden Continuing Market Survey 1988,* done for the *Anchorage Daily News*--which reported the results in a series of articles by Bill White from March 20 through March 25, 1988.

[9]Vacancies as reported by the Municipality of Anchorage; some of those structures may not have been available for occupancy.

[10]Although there are some shortcomings in using average 1987 prices of units sold to reflect market values, we believe this measure better reflects market value than does assessed valuation.

[11]A person is defined as being in the labor force if he or she has a job or is looking for one. Persons without jobs but who are not looking for work are considered out of the labor force.

[12]Federal employment in Anchorage has, however, been affected in 1988 by federal budget cuts; some civilian employees of Anchorage's army and air force bases are losing their jobs this year.

OTHER ISER PUBLICATIONS

Institute of Social and Economic Research (ISER) publications over the past 25 years have looked at virtually all the major economic and social issues facing Alaska. A list, by topic, of hundreds of ISER publications is available from ISER in the library building on the campus of the University of Alaska Anchorage (phone 907-786-7710). Below are brief descriptions of some recent work which ISER produced or contributed to. Unless otherwise noted, all publications are available from ISER, University of Alaska Anchorage, 3211 Providence Drive, Anchorage, Alaska 99508.

Alaska State Government and Politics, *edited by Gerald A. McBeath, professor of political science with the University of Alaska Fairbanks, and Thomas A. Morehouse, professor of political science with ISER, University of Alaska Anchorage. Published by University of Alaska Press, 1987, 400 pages. Soft-cover copies $17.00 and hardbound $27.00, plus $1.50 for postage and handling if ordered by mail. Available from University of Alaska Press, Signers' Hall, University of Alaska Fairbanks, Fairbanks, Alaska 99775-1580.*

The first book that comprehensively describes Alaska state government and politics is now available from the University of Alaska Press. The book describes the authorities, organization, and functions of state government as well as the people and the events that put life into government operations. It also discusses the private forces that influence government, including the press, public opinion, and interest groups. The book was written by eleven political scientists and one historian, all of whom now teach or previously taught at the University of Alaska. Several of the authors have also been directly involved in state government.

Native Claims and Political Development, *by Thomas A. Morehouse, professor of political science with ISER, University of Alaska Anchorage. ISER Occasional Paper No. 18, October 1987, 28 pages. Available for $2.00 from ISER.*

This paper discusses six existing and proposed settlements of Native claims in Alaska and northern Canada. The author assesses how such settlements fit into the broader, on-going process of Native political development; he argues that claims settlements should be seen not as "final" political solutions but rather as important junctures in a continuing process of political development.

Report on Alaska Benefits and Costs of Exporting Alaska North Slope Crude Oil, *May 1987. Prepared by ISER for the Finance Committee of the Alaska State Senate by Matthew Berman, Susan Fison, Arlon Tussing, and Samuel Van Vactor. Report findings and conclusions available from ISER for $1.50; technical appendixes available at 10 cents per page.*

This report finds that Alaska could reap fiscal and other economic benefits amounting to billions of dollars in the coming years if the federal government agreed to lift the existing ban on the export of crude oil from Alaska's North Slope. It also concludes that such exports would help reduce the United States' balance-of-payments deficit, and that overall the benefits of lifting the ban would far outweigh any potential costs.

Alaska's Constitution: A Citizen's Guide, *by Gordon S. Harrison, former associate professor of political science with the University of Alaska Fairbanks. Published by ISER, Second Edition, 1986, 134 pages. Soft-cover copies $2.00. Available from ISER.*

Several thousand copies of this guide to Alaska's constitution were distributed before the 1982 general election, when Alaskans voted on whether to call a constitutional convention to consider revisions to the constitution. It is a concise, article-by-article explanation of what Alaska's constitutional provisions mean and how they have been tested since the constitution went into effect in 1959. Alaskans decided against

calling a convention in 1982, but the guide was so popular that the author updated it for a second edition in 1986.

Alaska's Urban and Rural Governments, *by Thomas A. Morehouse, professor of political science at ISER; Gerald A. McBeath, professor of political science at the University of Alaska Fairbanks; and Linda Leask, editor and research associate with ISER. Published by University Press of America, 1984. Soft-cover copies $11.25. Available from ISER.*

This book describes all aspects of Alaska's local governments, including the sharp differences in urban and rural systems; their strengths and weaknesses; the quasi-government organizations that share government power in rural areas; the effects that big state oil revenues had on Alaska's local governments in the early 1980s; and the future of local governments around the state.

Alaska Resources Development, *edited by Thomas A. Morehouse, professor of political science with ISER, University of Alaska Anchorage. Published by Westview Press, 1984, 212 pages. Soft-cover copies $11.00. Available from ISER.*

Alaska's renewable and non-renewable resources and their potential for development are the subjects of this book. Six authors--three economists, a political scientist, a geographer, and a biologist--wrote individual chapters. The book cites as the chief determinants of future resource development in Alaska: (1) the costs of producing resources as compared with their market value; (2) the world political climate and the availability of secure supplies of vital resources outside Alaska; and (3) government policy. Of the three, the first is by far the most important.

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